

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

31

December 21, 2004

FROM: **DAVID H. SLAUGHTER**, Director
Real Estate Services Department

CAROL L. ANSELM, Assistant County Administrator
Human Services System

SUBJECT: **LEASE AMENDMENT WITH 2245 VALLEY LLC**

RECOMMENDATION:

1. Approve Amendment No. 1 to Lease Agreement No. 03-467 with 2245 Valley, LLC to increase the leased space by 21,720 square feet for a total of 36,720 square feet of warehouse space in Colton for Human Services Systems (HSS) in the amount of \$912,556.
2. Authorize the Auditor/Controller-Recorder to adjust 2004-05 appropriation in the Rents budget by \$38,000, as detailed in the financial impact section, to enable the payment of increased rent costs. (Four votes required)

BACKGROUND INFORMATION: On June 3, 2003, the Board approved a seven lease agreement, No. 03-467, with one three-year option to extend for 15,000 square feet of warehouse space at 2245 Valley Boulevard in Colton. The original term of the lease was from June 3, 2003 through May 31, 2010.

On February 13, 2003, the County Administrative Office (CAO) approved Capital Improvement Program (CIP) request No. 02-78 for a new 50,000 square foot warehouse location for HSS to consolidate six existing warehouse locations of approximately 77,000 square feet into a single, more efficient facility. On November 2, 2004, the Board approved a Request for Proposals (RFP) for the lease of 50,000 square feet of warehouse space and authorized the Director of Real Estate Services Department (RESD) to issue the RFP. The estimated occupancy date for a new facility is January 2006.

HSS now estimates they will reach capacity in their existing storage facilities by January 2005. On October 4, 2004, the CAO approved CIP request No. 05-41 submitted by HSS for an additional 20,000 square feet of temporary warehouse space to be leased at the 2245 Valley Boulevard site in Colton until a new, permanent location is selected. Following the approval of this CIP, HSS reassessed its space requirements and determined it also needs the additional 1,720 square feet of warehouse space that has recently become available at the 2245 Valley Boulevard site.

County Policy 08-02-01 regarding the lease of privately owned property allows the use of an alternative procedure when compliance with requirements of a formal RFP or SOP would unreasonably interfere with the financial or programmatic needs of the County or when the use of an alternative procedure would otherwise be in the best interest of the County. Since an RFP for the consolidation of HSS's six warehouse locations, including the 2245 Valley Boulevard site, has been approved and since the additional 21,720 square feet is needed on a temporary basis until a new, more efficient facility can be occupied, HSS requests authorization to amend the existing lease (Contract No. 03-467) to include the additional 21,720 square feet of storage space at its 2245 Valley Boulevard location.

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The lease terms are summarized as follows:

Lessor:	2245 Valley LLC, a California Limited Liability Corporation (Donald Lam, Managing Partner)		
Location:	2245 Valley Boulevard, Colton		
Size:	36,720 square feet of storage and inventory distribution space		
Term:	Sixty-five months and 16 days commencing December 15, 2004		
Options:	One three-year option		
Rent:	<u>Cost per sq. ft. per month</u> \$.34* *Mid-range for the Colton area	<u>Monthly</u> \$12,485	<u>Annual</u> \$149,820
Annual increases:	4%		
Improvement Costs:	None		
Custodial:	Provided by County		
Maintenance:	Provided by Lessor		
Utilities:	Provided by County		
Right to Terminate:	County has the right to terminate with 90-days notice		
Parking:	Sufficient for County needs		

REVIEW AND APPROVAL BY OTHERS: This item has been reviewed by County Counsel (Rex Hinesley, Chief Deputy County Counsel, 387-5465) on October 29, 2004; HSS Administration, (Lynne Fischer, Administrative Analyst II, 388-0252) on November 17, 2004 and (Kristin Letterman, Administrative Analyst, 388-0330) on November 22, 2004; and the County Administrative Office (Daniel R. Kopp, Administrative Analyst, 387-3828) December 13, 2004.

FINANCIAL IMPACT: The total cost of this five and one-half year amendment is \$912,556. The total cost in fiscal year 2004-05 will be \$105,172 (\$5,616 x 6.5 months and \$12,485 x 5.5 months). Payments will be paid from Rents budget (AAA RNT) and reimbursed from the HSS Administrative Claim budget (AAA DPA). Sufficient appropriation is available in HSS budget, however, adjustments are required in the Rents budget as follows:

Rents

Services and supplies	AAA-RNT – 200 – 2905 Increase	\$38,000
Reimbursements	AAA-RNT – 541 – 5013 Increase	\$38,000

Annual lease costs are as follows:

<u>Year</u>	<u>Annual lease cost</u>	<u>Estimate of other costs associated with this lease</u>
December 16, 2004 to May 31, 2005	\$68,668	\$20,661
June 1, 2005 to May 31, 2006	\$155,808	\$46,742
June 1, 2006 to May 31, 2007	\$162,036	\$48,611
June 1, 2007 to May 31, 2008	\$168,516	\$50,555
June 1, 2008 to May 31, 2009	\$175,260	\$52,578
June 1, 2009 to May 31, 2010	\$182,268	\$54,680

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with the department's and RESD's proposal, and recommends this action based on the immediate, but temporary, need for additional warehouse space. Lease payments will be 90% federally and state funded and 10% funded by a combination of Social Services Realignment and County general funds. Funding is anticipated to be available for the term of the lease. The lease can be terminated with 90-days notice.

SUPERVISORIAL DISTRICT(S): Fifth

PRESENTER: David H. Slaughter, Director, 387-7813

DH: 387-7841

inf: 387-7819